

## **City of Lake Forest RESERVE POLICY**

The City has established certain financial reserves to protect the City against unexpected interruptions in revenues, vulnerability of State actions, adverse economic conditions, unpredictable one-time costs, and exposure to natural disasters and emergencies. The following reserves shall be maintained by the City:

### **General Fund Reserves**

The City shall maintain reserves at 40% of General Fund revenues. Two-thirds of those reserves shall be unreserved and undesignated. The remaining one-third shall be for economic contingencies.

Unreserved, undesignated reserves are General Fund balances that accumulate over time as a result of revenues in excess of expenditures. This type of reserve is not set aside for any particular purpose.

The economic contingency reserve provides for unexpected interruptions in cash inflows to the City. Economic contingencies may occur as a result of the State holding back on or altering tax disbursements, loss of sales tax receipts from major retailers moving out of the City, or a significant economic slowdown. This reserve will be utilized to cover the City's expenditures until a solution to the shortage is found.

### **Emergency Services Reserve**

This reserve is associated with the City's Disaster Preparedness Program. The City is susceptible to earthquakes, fires and floods and, in the event of a disaster, this reserve will temporarily fund recovery costs. The City shall maintain the Emergency Services reserve at \$3 million.

### **Appropriation/Expenditure of Reserve Funds**

A four fifths (4/5) vote of the whole City Council is required for any appropriation and expenditure of funds from the reserves noted above.